

Message Text

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SUBJECT: AGREEMENT ON TEXT OF A TRADE AGREEMENT

REF: STATE 022376

1. AMBASSADOR KAISER AND DEPUTY MINISTER TOROK INITIALLED A TRADE AGREEMENT AND ASSOCIATED DOCUMENTS ON MARCH 3. BY MUTUAL AGREEMENT EACH SIDE WILL ISSUE A BRIEF PRESS RELEASE EMBARGOED FOR RELEASE AT NOON TIME MARCH 4. DEPARTMENT BRIEFED KEY CONGRESSIONAL OFFICIALS MARCH 3. LATE AFTER-NOON OF MARCH 3 WE LEARNED THAT NEW YORK TIMES (GWERTZMAN) AND WASHINGTON POST HAVE STORY AND WILL PUBLISH IT MARCH 4.

2. TEXT OF PRESS RELEASE IS AS FOLLOWS:

AN AGREEMENT ON TRADE RELATIONS BETWEEN THE UNITED STATES
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AND THE HUNGARIAN PEOPLE'S REPUBLIC WAS INITIALLED MARCH 3 IN WASHINGTON BY AMERICAN AMBASSADOR TO HUNGARY PHILIP KAISER AND HUNGARIAN DEPUTY MINISTER OF FOREIGN TRADE ISTVAN TOROK. THIS AGREEMENT IS DESIGNED TO PROMOTE THE CONTINUED DEVELOPMENT OF MUTUALLY BENEFICIAL ECONOMIC RELATIONS BY PLACING U.S.-HUNGARIAN TRADE ON A RECIPROCAL NON-DISCRIMINATORY (MOST FAVORED NATION) BASIS.

FORMAL SIGNING OF THE AGREEMENT IS EXPECTED IN THE NEAR FUTURE. UNDER UNITED STATES LAW, THE AGREEMENT REQUIRES THE APPROVAL OF BOTH HOUSES OF CONGRESS.

3. FOLLOWING PRESS GUIDANCE HAS BEEN PREPARED FOR CONTINGENCY USE:

Q. WILL THE US GRANT MFN TO HUNGARY?

A. UNDER THE AGREEMENT THE US AND HUNGARY WILL RECIPROCALLY GRANT MFN TARIFF TREATMENT.

Q. HOW WOULD WE EXTEND MFN?

A. UNDER SECTION 405 OF THE TRADE ACT, THE US MAY PROVIDE NON-DISCRIMINATORY TARIFF TREATMENT TO NON-MARKET COUNTRIES ONLY FOLLOWING CONCLUSION OF A BILATERAL TRADE AGREEMENT, WHICH MUST BE APPROVED IN CONGRESS.

Q. ARE EMIGRATION ASSURANCES NECESSARY IN ORDER TO EXTEND MFN?

A. YES

Q. WHAT ASSURANCES ON EMIGRATION ARE NECESSARY?
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A. SECTION 402 OF THE TRADE ACT (POPULARLY KNOWN AS THE JACKSON-VANIK AMENDMENT) REQUIRES THAT THE PRESIDENT REPORT TO CONGRESS THAT HE HAS RECEIVED ASSURANCES REGARDING THE FUTURE EMIGRATION PRACTICE OF THE COUNTRY IN QUESTION.

Q. HAS HUNGARY GIVEN ASSURANCES ON ITS EMIGRATION PRACTICE?

A. WE BELIEVE THIS HAS BEEN DEALT WITH SATISFACTORILY.

Q. WHAT IS THE LINKAGE BETWEEN RETURN OF THE CROWN AND MFN?

A. THESE TWO ISSUES ARE IN NO WAY LINKED.

Q. DOESN'T THIS PROVE THAT JACKSON-VANIK WORKS?

A. OUR CONCERN IN NEGOTIATING THIS AGREEMENT HAS BEEN TO IMPLEMENT THE LAW AS IT STANDS.

Q. DOES THE US INTEND TO NEGOTIATE SIMILAR AGREEMENTS

WITH THE SOVIET UNION OR OTHER EASTERN EUROPEAN COUNTRIES
THAT DO NOT NOW HAVE MFN?

A. AT THE PRESENT TIME, THERE ARE NO DISCUSSIONS UNDER-
WAY WITH OTHER COUNTRIES. NO OTHER COUNTRY HAS INDICATED
INTEREST IN NEGOTIATING UNDER THE TERMS OF THE TRADE ACT.

Q. IS THIS AGREEMENT IDENTICAL TO THE AGREEMENT REACHED
WITH ROMANIA?

A. NO. THERE ARE SIMILARITIES BECAUSE BOTH AGREEMENTS
MUST MEET ALL OF THE REQUIREMENTS OF THE TRADE ACT. HOW-
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EVER, THERE ARE SIGNIFICANT DIFFERENCES BETWEEN OUR TRAD-
ING RELATIONS WITH HUNGARY AND ROMANIA AND THESE HAVE BEEN
TAKEN INTO ACCOUNT.

Q. WHAT BENEFITS WILL US FIRMS RECEIVE FROM THIS AGREE-
MENT?

A. WHEN THE AGREEMENT GOES INTO EFFECT, US PRODUCTS
EXPORTED TO HUNGARY WILL NO LONGER BE SUBJECT TO DIS-
CRIMINATORY TARIFFS IN THAT COUNTRY. THE AGREEMENT ALSO
CONTAINS A NUMBER OF BUSINESS FACILITATION PROVISIONS,
INCLUDING ALL OF THOSE REQUIRED BY THE TRADE ACT.

Q. WHAT IS THE CURRENT LEVEL OF US TRADE WITH HUNGARY?

A. IN 1977 THE US EXPORTED GOODS AND SERVICES WORTH \$80
MILLION TO HUNGARY, AND HUNGARY'S EXPORTS TO THE US WERE
VALUED AT \$47 MILLION. CHRISTOPHER

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